



News Release

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SBA Inspector General Does Not Find That STAR Loan Recipients Were Unqualified For Program; STAR Loan Documentation by Lenders Could Have Been Better

WASHINGTON – At the request of the Administrator of the U.S. Small Business Administration, the SBA Inspector General conducted a review of a special post-9/11 loan program and did not find that loan recipients were unqualified for the program, although he did note that lender documentation could have been better.

The loan program, known as Supplemental Terrorist Activity Relief (STAR), was established by Congress in January 2002 to provide working capital to the nation's small business community as a result of the widespread economic downturn caused by the terrorist attacks of September 11, 2001. The one-year program was operated through the SBA's main loan guarantee program and the loans were made by participating banks.

The STAR loan program should not be confused with SBA's regular disaster loan program, which provided highly subsidized direct loans from the government to businesses throughout the country directly affected by the events of 9/11.

"We'd like to thank our Office of Inspector General for looking into this matter," said SBA Administrator Hector V. Barreto. "SBA implemented the STAR program as Congress intended. Furthermore, the program in no way impacted those eligible to receive low-interest loans through our separate disaster loan program following the terrorist attacks."

The inspector general also found that loans made under STAR had a lower default rate than the regular guaranteed loans in the portfolio and that qualified borrowers were not precluded from receiving STAR loans due to a lack of funds.

In its recommendations, the inspector general suggested that if a similar program is enacted in the future, the SBA have more robust documentation requirements and that it strengthen its review of defaulted loans rather than operating under standard procedures.

The SBA will accept most of the audit's recommendations, and has alerted lenders that it will not honor its guarantee on defaulted loans that are missing the required documentation.

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